

HURON SCHOOL DISTRICT NO. 2-2

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED

JUNE 30, 2013

HARRINGTON & ASSOCIATES, LTD.
CERTIFIED PUBLIC ACCOUNTANT

HURON SCHOOL DISTRICT NO. 2-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2013

Board Members:

Tim Van Berkum - President
David Wheeler - Vice President
Garret Bishoff
Sherman Gose
John Halbkat, III

Superintendent:

Terry Nebelsick

Business Manager:

Kelly Christopherson

HURON SCHOOL DISTRICT NO. 2-2
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

School Board
Huron School District No. 2-2
Huron, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Huron School District No. 2-2, South Dakota, as of and for the year then ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Huron School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Hamington & Associates LTD". The signature is written in dark ink and is positioned above the printed name and date.

Huron, South Dakota
October 22, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

School Board
Huron School District No. 2-2
Huron, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Huron School District No. 2-2's, Beadle County, South Dakota compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Huron School District's major federal programs for the year ended June 30, 2013. Huron School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the school District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Huron School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion for each major federal program. However, our audit does not provide a legal determination on Huron School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Huron School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Huron School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Huron School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

Harrington & Associates, LTD

Huron, South Dakota

October 22, 2013

HURON SCHOOL DISTRICT NO. 2-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report contained no written audit comments.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

Financial Statements

- a) An unqualified opinion was issued on the financial statements of each opinion unit.
- b) No material weaknesses or significant deficiencies were disclosed by our audit of the financial statements.
- c) Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

- d) An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e) Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office Management and Budget Circular A-133, Section .510(a).
- f) The federal awards tested as major programs were:

Special Education Cluster
English Language Acquisition State Grants CFDA 84.365
Improving Teacher Quality State Grants CFDA 84.367

- g) The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- h) Huron School District No 2-2 did qualify as a low risk auditee.

Current Federal Audit Findings:

There are no written current federal compliance audit findings to report.

Current Other Audit Findings:

There are no written current other audit findings to report.

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INDEPENDENT AUDITOR'S REPORT

School Board
Huron School District No. 2-2
Huron, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Huron School District No. 2-2, Huron, South Dakota, as of June 30, 2013 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Huron School District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Huron School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Huron School District No. 2-2 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information


Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, and the Schedule of Funding Progress on pages 10 through 19, 59 through 65, and page 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Huron School District's financial statements. The Schedule of Expenditures of Federal Awards, which as required by the U.S. Office Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2013 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions or laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.


Huron, South Dakota
October 22, 2013

HURON SCHOOL DISTRICT 2-2 MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Huron School District 2-2's annual financial report presents our discussion and analysis of the district's financial performance during the fiscal year ended on June 30, 2013. Please read it in conjunction with the district's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The district's net position from governmental and business-type activities increased by \$1,132,744 primarily because of monitoring of current operating expenses.
- During the year, the district's revenues generated from taxes and other revenues of the governmental and business-type programs were \$1,132,744 more than the \$21,160,650 governmental and business-type program expenditures.
- The district reduced its outstanding long-term debt \$1,270,000 and issued \$20,195,000 in general obligations bonds to finance elementary school expansion and renovation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the district's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the district's government, reporting the district's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the district operates like businesses. The only proprietary funds operated by the district are the food service operations and concessions.
 - Fiduciary fund statements provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

HURON SCHOOL DISTRICT 2-2 MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1

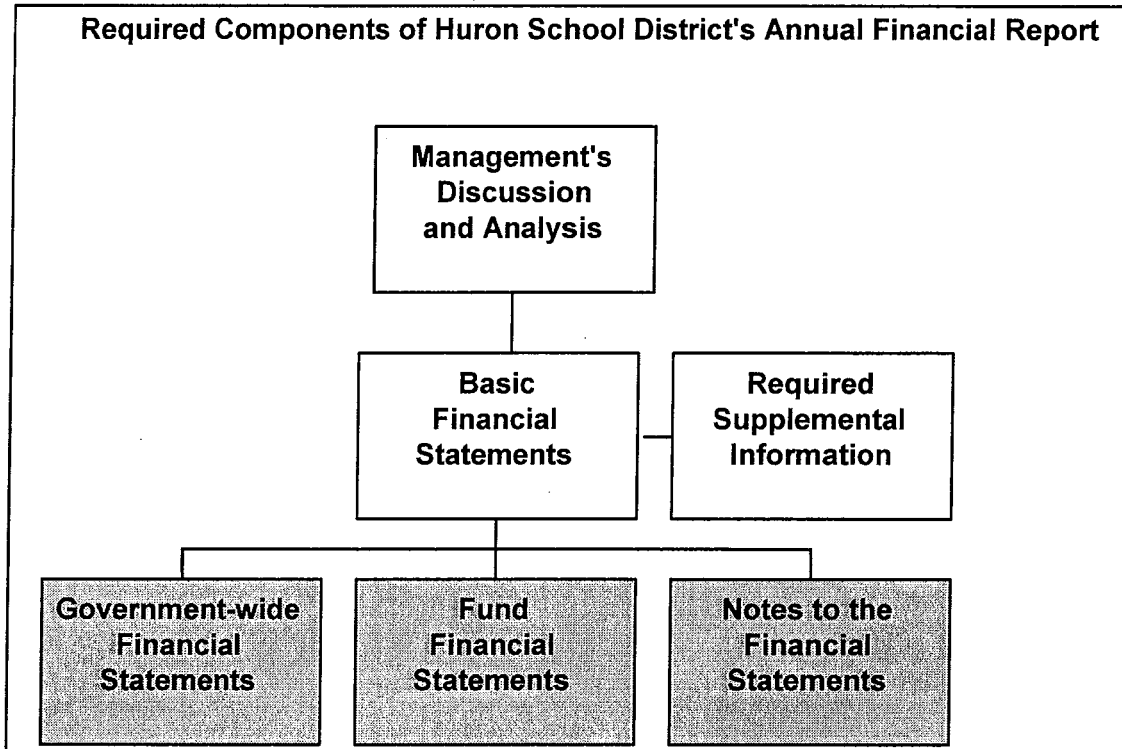


Figure A-2 summarizes the major features of the district's financial statements, including the portion of the district's government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

HURON SCHOOL DISTRICT 2-2 **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Figure A-2

Major Features of Huron School District's Government-wide and Fund Financial Statements				
	Government-wide Statements	Governmental Funds	Fund Statements	
			Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as the food service	Instances in which the district administers resources on behalf of someone else, such as student activity monies
Required financial statements	*Statement of net position *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances	*Balance sheet *Statement of revenues, expenses and changes in net position *Statement of cash flows	*Statement of fiduciary net position *Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; the district's funds do not currently contain capital assets although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the district as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the district's net position and how they have changed. Net position – the difference between the district's assets and liabilities – are one way to measure the district's financial health or position.

- Increases or decreases in the district's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the district you need to consider additional non-financial factors such as changes in the district's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the district are reported in two categories:

HURON SCHOOL DISTRICT 2-2 MANAGEMENT'S DISCUSSION AND ANALYSIS

- **Governmental Activities** - This category includes the district's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, and federal grants finance most of these activities.
- **Business-type Activities** - The district charges fees to help cover the costs of providing certain services. Food service, concessions, and driver's education are the only business-type activities of the district.

Fund Financial Statements

The fund financial statements provide more detailed information about the district's most significant funds – not the district as a whole. Funds are accounting devices that the district uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes like paying the district's general obligation bonds.

The district has three kinds of funds:

- **Governmental Funds** – Most of the district's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the district charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The food service and concessions enterprise funds are the only proprietary funds maintained by the district.
- **Fiduciary Funds** – The district is the trustee, or fiduciary, for various external and internal parties. The district is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The district excludes these activities from the district's government-wide financial statements because the district cannot use these assets to finance its operations.

HURON SCHOOL DISTRICT 2-2 **MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The district's combined net position changed as follows:

Table A-1

Huron School District 2-2

Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Current and Other Assets	11,475,156	33,487,571	517,863	575,057	11,993,019	34,062,628
Capital Assets	12,596,933	13,253,531	264,929	244,934	12,861,862	13,498,465
Total Assets	<u>24,072,089</u>	<u>46,741,102</u>	<u>782,792</u>	<u>819,991</u>	<u>24,854,881</u>	<u>47,561,093</u>
Long-Term Debt Outstanding						
	6,420,896	25,380,880	5,945	6,322	6,426,841	25,387,202
Other Liabilities	1,853,452	8,638,284	34,247	53,545	1,887,699	8,691,829
Total Liabilities	<u>8,274,348</u>	<u>34,019,164</u>	<u>40,192</u>	<u>59,867</u>	<u>8,314,540</u>	<u>34,079,031</u>
Net Position:						
Invested in Capital Assets	6,411,933	(11,856,469)	264,929	244,934	6,676,862	(11,611,535)
Restricted	2,496,355	21,527,458	-	-	2,496,355	21,527,458
Unrestricted	6,889,453	3,050,949	477,671	515,190	7,367,124	3,566,139
Total Net Position	<u>15,797,741</u>	<u>12,721,938</u>	<u>742,600</u>	<u>760,124</u>	<u>16,540,341</u>	<u>13,482,062</u>
Beginning Net Position	14,439,457	11,606,718	741,285	742,600	15,180,742	12,349,318
Increase (Decrease) in Net Position	1,358,284	1,115,220	1,315	17,524	1,359,599	1,132,744
Percentage of Increase in Net Position	9.41%	9.61%	0.18%	2.36%	8.96%	9.17%

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the district, consisting of general obligation bonds payable, compensated absences payable, early retirement benefits payable, and capital outlay certificates payable, have been reported in this manner on the Statement of Net Position. The difference between the district's assets and liabilities is its net position.

**HURON SCHOOL DISTRICT 2-2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Changes in Net Assets

The district's total revenues (excluding special items and transfers) totaled \$20,793,850. (See Table A-4.) Approximately 47.3% of the district's revenue comes from property and other taxes, with another 32.4 % from state aid. (See Table A-2).

**Table A-2, Huron School District 2-2, Sources of Revenue
Fiscal Year 2012-2013**

Taxes	47.3%
State Sources	32.4%
Operating Grants and Contributions	15.2%
Charges for Services	2.2%
Other General Revenues	2.7%
Unrestricted Investment Earnings	.2%

The District's expenses cover a range of services, encompassing instruction, support services and food services. (See Table A-4)

**Table A-3, Huron School District 2-2, Expenses
Fiscal Year 2012-2013**

Instruction	53.8%
Support Services	32.6%
Food Service	7.1%
Co-curricular Activities	3.6%
Debt Service	1.6%
Miscellaneous	1.3%

**HURON SCHOOL DISTRICT 2-2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table A-4
HURON SCHOOL DISTRICT 2-2
Changes in Net Position**

	Total Governmental Activities		Total Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Revenues						
Program Revenues						
Charges for Services	\$ 340,696	\$ 458,972	\$ 747,692	\$ 656,603	\$ 1,088,388	\$ 1,115,575
Operating Grants and Contributions	3,064,050	3,128,509	785,088	831,304	3,849,138	3,959,813
General Revenues						
Taxes	9,176,105	9,934,860	-	-	9,176,105	9,934,860
Revenue State Sources	6,457,706	6,681,439	-	8,899	6,457,706	6,690,338
Other General Revenues	472,360	558,684	55	-	472,415	558,684
Unrestricted Investment Earnings	128,493	31,386	9,408	2,738	137,901	34,124
Total Revenues	19,639,410	20,793,850	1,542,243	1,499,544	21,181,653	22,293,394
Expenses						
Instruction	\$ 10,488,639	\$ 11,393,935	\$ -	\$ -	\$ 10,488,639	\$ 11,393,935
Support Services	6,601,412	6,889,313	-	-	6,601,412	6,889,313
Nonprogrammed Charges	164,177	250,913	-	-	164,177	250,913
Debt Service	265,095	342,512	-	-	265,095	342,512
Cocurricular Activities	720,047	755,344	-	-	720,047	755,344
Food Service/Concessions	-	-	1,554,039	1,495,219	1,554,039	1,495,219
Community Services	28,645	33,414	0	0	28,645	33,414
Total Expenses	18,268,015	19,665,431	1,554,039	1,495,219	19,822,054	21,160,650
Excess (Deficiency) Before Special Items and Transfers	1,371,395	1,128,419	(11,796)	4,325	1,359,599	1,132,744
Transfers	(13,111)	(13,199)	13,111	13,199	-	-
Increase in Net Position	\$ 1,358,284	\$ 1,115,220	\$ 1,315	\$ 17,524	\$ 1,359,599	\$ 1,132,744

HURON SCHOOL DISTRICT 2-2 MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues for the School's governmental activities increased 4.5% while expenses for governmental activities decreased by 6.6%.

BUSINESS-TYPE ACTIVITIES

Revenues of the district's business-type activities remained relatively the same. The food service and other enterprise fund operation exceeded revenues by approximately \$4,325 before transfers or contributions from capital outlay.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The purpose of the Huron School District's governmental funds is to provide information on inflows, outflows, and fund balances. As the district completed the year, its governmental funds reported combined fund balances of \$26.4 million, a increase of 401.6%. This large increase is due to the GOB issued in amount of 20,195,000 in June 2013.

The capital outlay did have a significant decline of \$663,082 mainly due to large purchases of 2 busses and construction in progress on Madison elementary.

In addition to the district-wide financial statements, food service and other enterprise fund are reported in greater detail in the proprietary funds statements. The district's enterprise funds showed an increase in net assets of \$17,524.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School Board revised the school budget. The various reasons for the revision fall into three categories:

- Supplemental appropriations and contingency transfers were approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of the district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns and controlling under spent budgets..
- Supplemental appropriations were approved for supplemental grant revenues received after the original budget was adopted.

CAPITAL ASSET ADMINISTRATION

By the end of 2013, the district had invested \$13,498,465 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.)

**HURON SCHOOL DISTRICT 2-2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table A-5
HURON SCHOOL DISTRICT 2-2 - Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities	
	2012	2013	2012	2013
Land	1,111,755	1,111,755	-	-
Construction in Progress	-	852,569	-	-
Other Improvements	1,554	-	-	-
Buildings	9,282,042	8,990,793	--	--
Machinery and Equipment	2,201,582	2,298,414	264,929	244,934
Total Capital Assets (Net)	12,596,933	13,253,531	264,929	244,934

This year's capital asset purchases were laptops and building remodeling. The major disposal was the sale of the central administration building.

LONG-TERM DEBT

At year-end, the district had \$25,448,149 in general obligation bonds, capital outlay certificates and other long-term obligations. This is an increase of 293% as shown on Table A-6 below.

**Table A-6
HURON SCHOOL DISTRICT 2-2 - Outstanding Debt and Obligations**

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2012	2013	2012	2013	2012-2013	2012-2013
General obligation bonds	1,075,000	20,395,000	-	-	19,320,000	294.14%
Capital outlay certificates	5,110,000	4,715,000	-	-	(395,000)	-7.73%
Other postemployment benefits	133,709	168,380	-	-	34,671	25.93%
Early Retirement Payable	35,600	67,269	-	-	31,669	88.96%
Compensated absences	102,187	102,500	5,845	5,845	313	0.29%
Total Outstanding Debt and Obligations	6,456,496	25,448,149	5,845	5,845	18,991,653	293.88%

The district maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive 65% to 80% of their last year's salary in one lump sum. This plan allows the district to reduce the overall program cost by hiring lower paid employees to replace the higher paid employees. The district maintains an OPEB plan that allows eligible retired employees to pay to stay on the health plan with the school district.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The district experienced an increase in total property valuation of about \$56 million or 6.8% from the prior year. With the exception of the general fund, the increase in property valuation allows the district the ability to increase the amount of revenue generated; however the total amount of property taxes, which can be levied, is limited by the State of South Dakota.

**HURON SCHOOL DISTRICT 2-2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the general fund, one of the primary sources of revenue to the district is based on a per student allocation received from the State of South Dakota. The state aid formula for the current year ensures that property taxes plus state aid will equal \$4,491 per pupil, a decline of 2.6% from the previous year.

Table A-7, Huron School District ADM

<u>Year</u>	<u>ADM</u>	<u>Percent Increase (Decrease)</u>
2012	2215	3.4%
2013	2323	4.9%

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional information, contact the Huron School District's Business Office, 150 5th Street Southwest, Huron, SD 57350.

HURON SCHOOL DISTRICT NO. 2-2
STATEMENT OF NET POSITION
JUNE 30, 2013

	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS-TYPE	
	ACTIVITIES	ACTIVITIES	TOTAL
ASSETS:			
Cash and Cash Equivalents	\$ 28,003,474	\$ 481,601	\$ 28,485,075
Taxes Receivable	4,653,650	-	4,653,650
Inventories	-	41,887	41,887
Other Assets	830,447	51,569	882,016
Capital Assets:			
Land	1,964,324	-	1,964,324
Other Capital Assets, Net of Depreciation	11,289,207	244,934	11,534,141
TOTAL ASSETS	\$ 46,741,102	\$ 819,991	\$ 47,561,093
LIABILITIES:			
Accounts Payable	\$ 688,001	\$ 38,339	\$ 726,340
Deferred Revenue	4,461,537	8,548	4,470,085
Other Current Liabilities	3,488,746	6,658	3,495,404
Noncurrent Liabilities:			
Due Within One Year	727,300	477	727,777
Due in More than One Year	24,653,580	5,845	24,659,425
TOTAL LIABILITIES	34,019,164	59,867	34,079,031
NET POSITION:			
Net Investment in Capital Assets	(11,856,469)	244,934	(11,611,535)
Restricted for:			
Capital Outlay	271,704	-	271,704
Special Education	1,186,846	-	1,186,846
Capital Projects	20,001,351	-	20,001,351
Debt Services	56,817	-	56,817
Auditorium	10,740	-	10,740
Unrestricted	3,050,949	515,190	3,566,139
TOTAL NET POSITION	12,721,938	760,124	13,482,062
TOTAL LIABILITIES AND NET POSITION	\$ 46,741,102	\$ 819,991	\$ 47,561,093

The accompanying notes are an integral part of these financial statements.

HURON SCHOOL DISTRICT NO. 2-2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	
Primary Government:			
Governmental Activities:			
Instruction	\$ 11,393,935	\$ 150,633	
Support Services	6,889,313	212,117	
Community Services	33,414	-	
Nonprogrammed Charges	250,913	-	
*Interest - on Long-Term Debt	342,512	-	
Cocurricular Activities	755,344	96,222	
Total Governmental Activities	19,665,431	458,972	
Business-Type Activities			
Food Service	1,363,792	479,893	
Concessions	100,249	141,840	
Driver's Education	31,178	34,870	
Total Business-Type Activities	1,495,219	656,603	
Total Primary Government	\$ 21,160,650	\$ 1,115,575	

*The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The accompanying notes are an integral part of these financial statements.

PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		PRIMARY GOVERNMENT	
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
\$ 2,208,669	\$ -	\$ (9,034,633)	\$ -	\$ (9,034,633)	
919,840	-	(5,757,356)	-	(5,757,356)	
-	-	(33,414)	-	(33,414)	
-	-	(250,913)	-	(250,913)	
-	-	(342,512)	-	(342,512)	
-	-	(659,122)	-	(659,122)	
3,128,509	-	(16,077,950)	-	(16,077,950)	
831,304	-	-	(52,595)	(52,595)	
-	-	-	41,591	41,591	
-	-	-	3,692	3,692	
831,304	-	-	(7,312)	(7,312)	
\$ 3,959,813	\$ -	(16,077,950)	(7,312)	(16,085,262)	

GENERAL REVENUES:

Taxes:				
Property Taxes	\$ 9,113,978	\$ -	\$ 9,113,978	
Gross Receipts Taxes	820,882	-	820,882	
Revenue from State Sources:				
State Aid	6,681,439	8,899	6,690,338	
Unrestricted Investment Earnings	31,386	2,738	34,124	
Other General Revenues	558,684	-	558,684	
Transfers	(13,199)	13,199	-	
Total General Revenues, Special Items and Transfers	17,193,170	24,836	17,218,006	
Change in Net Position	1,115,220	17,524	1,132,744	
Net Position-Beginning	15,797,741	742,600	16,540,341	
Adjustment: See Note 16	(4,191,023)	-	(4,191,023)	
Adjusted Net Position - Beginning	11,606,718	742,600	12,349,318	
Net Position-Ending	\$ 12,721,938	\$ 760,124	\$ 13,482,062	

HURON SCHOOL DISTRICT NO. 2-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	GENERAL FUND	CAPITAL OUTLAY FUND
ASSETS:		
Cash and Cash Equivalents	\$ 3,780,217	\$ 724,417
Taxes Receivable--Current	2,423,081	1,247,684
Taxes Receivable--Delinquent	105,339	42,764
Due From Other Government	780,928	-
Advance Payments	25,000	-
Advance To Other Funds	130,000	-
TOTAL ASSETS	\$ 7,244,565	\$ 2,014,865
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 152,964	\$ 495,477
Contracts Payable	962,248	-
Payroll Deductions and Withholding and Employer Matching Payable	289,383	-
Deferred Revenue	2,713,920	1,290,448
Advance From Other Funds	-	-
Total Liabilities	4,118,515	1,785,925
Fund Balances:		
Nonspendable		
General Fund	130,000	-
Restricted		
Auditorium	-	-
Capital Outlay	-	228,940
Special Education	-	-
Debt Service	-	-
Capital Projects	-	-
Unassigned	2,996,050	-
Total Fund Balances	3,126,050	228,940
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,244,565	\$ 2,014,865

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1,376,202	\$ 21,961,515	\$ 136,123	\$ 27,978,474
499,111	-	291,661	4,461,537
19,554	-	24,456	192,113
49,519	-	-	830,447
-	-	-	25,000
-	-	-	130,000
<u>\$ 1,944,386</u>	<u>\$ 21,961,515</u>	<u>\$ 452,240</u>	<u>\$ 33,617,571</u>
\$ 39,560	\$ -	\$ -	\$ 688,001
161,491	-	67,269	1,191,008
48,191	-	-	337,574
518,665	-	316,117	4,839,150
-	-	130,000	130,000
<u>767,907</u>	<u>-</u>	<u>513,386</u>	<u>7,185,733</u>
-	-	-	130,000
-	-	10,740	10,740
-	-	-	228,940
1,176,479	-	-	1,176,479
-	-	38,270	38,270
-	21,961,515	-	21,961,515
-	-	(110,156)	2,885,894
<u>1,176,479</u>	<u>21,961,515</u>	<u>(61,146)</u>	<u>26,431,838</u>
<u>\$ 1,944,386</u>	<u>\$ 21,961,515</u>	<u>\$ 452,240</u>	<u>\$ 33,617,571</u>

HURON SCHOOL DISTRICT NO. 2-2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total Fund Balances - Governmental Funds \$ 26,431,838

Amounts reported for governmental activities in the statement
of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	The cost of capital assets are	\$ 27,213,751	
	Accumulated depreciation is	<u>(13,960,220)</u>	
	Net		13,253,531

Long-term liabilities, including	General obligation 2013 bonds	(20,195,000)	
bonds payable and accrued leave payable	General obligation 2010 bonds	(200,000)	
are not due and payable in the current period	Capital outlay certificates 2005	(125,000)	
and therefore are not reported in the funds.	Capital outlay certificates 2009B	(3,450,000)	
	Capital outlay certificates 2012	(1,140,000)	
	Accrued leave payable (vacation)	(102,500)	
	Other postemployment benefits	<u>(168,380)</u>	
	Net		(25,380,880)

Assets, such as taxes receivable (delinquent) and utility taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.	377,613
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Unamortized premiums on bonds sold are reported as liabilities in the statement of net position	<u>(1,960,164)</u>
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Net Position-Governmental Funds	<u><u>\$ 12,721,938</u></u>
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The accompanying notes are an integral part of these financial statements.

HURON SCHOOL DISTRICT NO. 2-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	GENERAL FUND	CAPITAL OUTLAY FUND
Revenues:		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 4,524,129	\$ 2,525,830
Prior Years' Ad Valorem Taxes	28,727	14,032
Tax Deed Revenue	10,222	-
Gross Receipts Taxes	635,382	-
Penalties and Interest on Taxes	8,888	5,009
Revenue from Local Governmental Units Other Than LEAs:		
Revenue In Lieu of Taxes	5,079	-
Tuition and Fees:		
Regular Day School Tuition	35,726	-
Earnings on Investments and Deposits	19,129	2,840
Cocurricular Activities:		
Admissions	70,441	-
Other Pupil Activity Income	21,144	-
Other Revenue from Local Sources:		
Rentals	56,465	-
Contributions and Donations	12,422	7,500
Charges for Services	147,949	-
Other	171,918	2,030
Revenue from Intermediate Sources:		
County Sources:		
County Apportionment	285,226	-
Revenue in Lieu of Taxes	1,577	-
Revenue from State Sources:		
Grants-in-Aid:		
Unrestricted Grants-in-Aid	6,681,439	-
Restricted Grants-in-Aid	248,523	-
Tuition:		
Regular	101,149	-
Revenue from Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid Received from Federal Government Through the State	1,594,073	20,768
Other Federal Revenue	30,715	-
Total Revenue	\$ 14,690,323	\$ 2,578,009

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1,088,084	\$ -	\$ 861,097	\$ 8,999,140
6,526	-	5,854	55,139
-	-	-	10,222
-	-	-	635,382
2,305	-	2,444	18,646
-	-	-	5,079
13,758	-	-	49,484
6,653	833	1,931	31,386
-	-	4,637	75,078
-	-	-	21,144
-	-	-	56,465
-	-	-	19,922
64,168	-	-	212,117
3,539	-	-	177,487
-	-	-	285,226
-	-	-	1,577
-	-	-	6,681,439
671,317	-	-	919,840
-	-	-	101,149
563,113	-	-	2,177,954
-	-	-	30,715
\$ 2,419,463	\$ 833	\$ 875,963	\$ 20,564,591

HURON SCHOOL DISTRICT NO. 2-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013

	GENERAL FUND	CAPITAL OUTLAY FUND
Expenditures:		
Instruction:		
Regular Programs:		
Elementary	3,056,222	174,676
Middle/Junior High	2,182,019	102,374
High School	2,505,220	148,329
Preschool Services	5,520	-
Special Programs:		
Programs for Special Education	-	215
Educationally Deprived	1,001,372	-
Support Services:		
Pupils:		
Attendance and Social Work	106,682	-
Guidance	369,551	-
Health	75,841	-
Psychological	3,429	-
Speech Pathology	-	-
Student Therapy Services	-	-
Support Services - Instructional Staff:		
Improvement of Instruction	469,484	727
Educational Media	533,158	138,932
Support Services - General Administration:		
Board of Education	146,486	-
Executive Administration	200,056	949
Support Services - School Administration:		
Office of the Principal	624,437	-
Other	214,630	2,367
Support Services - Business:		
Fiscal Services	296,141	-
Facilities Acquisition and Construction	-	126,647
Operation and Maintenance of Plant	1,481,205	513,499
Pupil Transportation	502,497	17,318
Food Services	60,846	25,342
Internal Services	26,009	-
Support Services - Central:		
Staff	1,315	-

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	-	-	3,230,898
-	-	-	2,284,393
-	-	-	2,653,549
-	-	-	5,520
1,622,240	-	-	1,622,455
-	-	-	1,001,372
21,455	-	-	128,137
13,715	-	-	383,266
75,506	-	-	151,347
50,386	-	-	53,815
344,224	-	-	344,224
132,741	-	-	132,741
7,564	-	-	477,775
-	-	-	672,090
-	-	-	146,486
-	-	-	201,005
-	-	-	624,437
-	-	-	216,997
-	-	-	296,141
-	-	4,000	130,647
-	-	-	1,994,704
-	-	-	519,815
-	-	-	86,188
-	-	-	26,009
-	-	-	1,315

HURON SCHOOL DISTRICT NO. 2-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013

	GENERAL FUND	CAPITAL OUTLAY FUND
Expenditures:		
Support Services - Special Education:		
Administrative Costs	-	-
Other Special Education Costs	-	-
Community Services:		
Recreation	20,423	-
Nonpublic School	12,410	-
Other	581	-
Nonprogrammed Charges:		
Payments to State - Unemployment	1,294	-
Early Retirement Benefits	-	-
Debt Services		584,590
Cocurricular Activities:		
Male Activities	258,565	-
Female Activities	227,815	-
Combined Activities	203,629	25,281
Capital Outlay	17,362	1,382,946
Total Expenditures	14,604,199	3,244,192
Excess of Revenue Over (Under) Expenditures	86,124	(666,183)
Other Financing Sources (Uses):		
Transfers In	11,424	-
Transfers Out	-	(2,840)
Refunding Bonds Issued	-	-
Premium on Bonds Issued	-	-
Sale of Surplus Property	20,530	-
Compensation for Loss of Capital Asset	-	5,941
Total Other Financing Sources (Uses)	31,954	3,101
Net Change in Fund Balances	118,078	(663,082)
Fund Balance - Beginning	3,007,972	892,022
Fund Balance - Ending	\$ 3,126,050	\$ 228,940

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
94,086	-	-	94,086
21,014	-	-	21,014
-	-	-	20,423
-	-	-	12,410
-	-	-	581
-	-	-	1,294
-	-	249,619	249,619
-	135,272	892,650	1,612,512
-	-	-	258,565
-	-	-	227,815
-	-	-	228,910
11,714	59,210	-	1,471,232
2,394,645	194,482	1,146,269	21,583,787
24,818	(193,649)	(270,306)	(1,019,196)
-	-	-	11,424
(6,653)	-	(1,931)	(11,424)
-	20,195,000	-	20,195,000
-	1,960,164	-	1,960,164
-	-	-	20,530
-	-	-	5,941
(6,653)	22,155,164	(1,931)	22,181,635
18,165	21,961,515	(272,237)	21,162,439
1,158,314	-	211,091	5,269,399
\$ 1,176,479	\$ 21,961,515	\$ (61,146)	\$ 26,431,838

HURON SCHOOL DISTRICT NO. 2-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES TO THE GOVERNMENT-WIDE STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Total net change in fund balances - governmental funds \$ 21,162,439

Amounts reported for governmental activities in the
statement of activities are different because:

This amount represents capital asset purchases which are reported
as expenditures on the fund financial statements but increase assets
on the government wide statements.

1,471,232

This amount represents the current year depreciation expense
reported in the statement of activities which is not reported on the
fund financial statements because it does not require the use of
current financial resources.

(801,091)

In the statement of activities gain and losses \$6,998 on disposal of
capital assets are reported, whereas, in the governmental funds,
the proceeds \$20,530 from the sale of surplus property and
compensation for loss of capital asset is reflected regardless of
whether a gain or loss is realized (+gains -losses -proceeds
=amount).

(13,543)

Payment of principal on long-term debt is an expenditure in the
governmental funds, but the payment reduces long-term liabilities
in the statement of net assets.

General Obligation Bonds	875,000	
Capital Outlay Certificates	395,000	
Net	1,270,000	1,270,000

The issuance of long-term debt is an other financing source in the
fund statements but an increase in long-term liabilities on the
government wide statements.

General Obligation Bonds	(20,195,000)
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Premiums on bonds issued are current financial resource in the
fund financials but accrued and amortized in the government
wide.

(1,960,164)

In both the government-wide and the fund financial statements,
revenues from property tax levies are applied to finance the budget
of a particular period. Accounting for revenues from property tax
accruals in the funds' statements differs from the accounting in the
government wide statements in that the fund financial statements
require the amounts to be "available". This amount reflects the
application of both the application period and "availability
criteria".

216,331

Governmental funds recognize expenditures for amounts of
compensated absences and early retirement benefits actually paid
to employees with current financial resources during the fiscal
year. Amounts of compensated absences earned by employees are
not recognized in the funds. In the statement of activities,
expenses for these benefits are recognized when the employees
earn leave credits or elect to retire early.

Other postemployment benefits	(34,671)	
Compensated absences	(313)	
	(34,984)	(34,984)

Change in net position of governmental activities \$ 1,115,220

The accompanying notes are an integral part of these financial statements.

HURON SCHOOL DISTRICT NO. 2-2
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	ENTERPRISE FUNDS		
	FOOD SERVICE FUND	OTHER ENTERPRISE FUNDS	TOTAL
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 61,811	\$ 419,790	\$ 481,601
Accounts Receivable	3,638	-	3,638
Due from Other Government	18,397	-	18,397
Inventory of Supplies	6,351	1,091	7,442
Inventory of Stores Purchased for Resale	23,665	3,907	27,572
Inventory of Donated Food	6,873	-	6,873
Prepaid Expenses	27,801	1,733	29,534
Total Current Assets	148,536	426,521	575,057
Capital Assets:			
Buildings	13,900	-	13,900
Machinery and Equipment--Local Funds	784,779	37,746	822,525
Machinery and Equipment--Federal Assistance	14,492	-	14,492
Less: Accumulated Depreciation	(581,696)	(24,287)	(605,983)
Total Noncurrent Assets	231,475	13,459	244,934
TOTAL ASSETS	\$ 380,011	\$ 439,980	\$ 819,991
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 36,606	\$ 1,733	\$ 38,339
Contract Payable	6,240	-	6,240
Payroll Deductions and Withholdings	418	-	418
Compensated Absences Payable	477	-	477
Deferred Revenue	8,548	-	8,548
Total Current Liabilities	52,289	1,733	54,022
Noncurrent Liabilities:			
Accrued Leave Payable	5,845	-	5,845
Total Noncurrent Liabilities	5,845	-	5,845
NET POSITION:			
Net Investment in Capital Assets	231,475	13,459	244,934
Unrestricted Net Position	90,402	424,788	515,190
Total Net Position	321,877	438,247	760,124
TOTAL LIABILITIES AND NET POSITION	\$ 380,011	\$ 439,980	\$ 819,991

The accompanying notes are an integral part of these financial statements.

HURON SCHOOL DISTRICT NO. 2-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	ENTERPRISE FUNDS		
	FOOD SERVICE FUND	OTHER ENTERPRISE FUND	TOTAL
Operating Revenue:			
Sales:			
To Pupils	\$ 327,446	\$ 141,010	\$ 468,456
To Adults	16,314	-	16,314
A la Carte	105,688	-	105,688
Other	30,445	35,700	66,145
Total Operating Revenue	479,893	176,710	656,603
Operating Expenses:			
Food Service:			
Salaries	517,878	61,363	579,241
Employee Benefits	166,413	10,205	176,618
Purchased Services	22,143	836	22,979
Supplies	47,031	4,945	51,976
Cost of Sales - Purchased Food	508,101	53,014	561,115
Cost of Sales - Donated Food	61,707	-	61,707
Depreciation - Local Funds	40,519	945	41,464
Total Operating Expenses	1,363,792	131,308	1,495,100
Operating Income (Loss)	(883,899)	45,402	(838,497)
Nonoperating Revenue (Expense):			
Local Sources:			
Investment Earnings	541	2,197	2,738
State Sources:			
Cash Reimbursements	8,899	-	8,899
Federal Sources:			
Cash Reimbursements	764,325	-	764,325
Donated Food	66,979	-	66,979
Loss on Sale of Capital Assets	-	(119)	(119)
Total Nonoperating Revenue (Expense)	840,744	2,078	842,822
Income (Loss) Before Contributions and Transfers	(43,155)	47,480	4,325
Capital Contributions	13,199	-	13,199
Change in Net Position	(29,956)	47,480	17,524
Net Position - Beginning	351,833	390,767	742,600
Net Position - Ending	\$ 321,877	\$ 438,247	\$ 760,124

The accompanying notes are an integral part of these financial statements.

HURON SCHOOL DISTRICT NO. 2-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	ENTERPRISE FUNDS		
	FOOD SERVICE FUND	OTHER ENTERPRISE FUND	TOTALS
Cash Flows from Operating Activities:			
Cash receipts from customers	\$ 476,749	\$ 176,711	\$ 653,460
Cash payments to suppliers	(684,665)	(73,908)	(758,573)
Cash payments to employees	(578,071)	(58,643)	(636,714)
Net Cash Provided (Used) by Operating Activities	(785,987)	44,160	(741,827)
Cash Flows from Noncapital Financing Activities:			
Cash Reimbursements - State	8,899	-	8,899
Cash Reimbursements - Federal	770,656	-	770,656
Net Cash Provided by Noncapital Financing Activities	779,555	-	779,555
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	-	(8,389)	(8,389)
Net Cash Used by Capital and Related Financing Activities	-	(8,389)	(8,389)
Cash Flows from Investing Activities:			
Interest Earnings	541	2,197	2,738
Net Cash Provided by Investing Activities	541	2,197	2,738
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (5,891)	\$ 37,968	\$ 32,077
Cash and Cash Equivalents at Beginning of Year	\$ 67,702	\$ 381,822	\$ 449,524
Cash and Cash Equivalents at End of Year	61,811	419,790	481,601
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (5,891)	\$ 37,968	\$ 32,077

The accompanying notes are an integral part of these financial statements.

HURON SCHOOL DISTRICT NO. 2-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013

	ENTERPRISE FUNDS		
	FOOD SERVICE FUND	OTHER ENTERPRISE FUND	TOTALS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (883,899)	\$ 45,402	\$ (838,497)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	40,519	945	41,464
Noncash Cost of Sales - Commodities	61,707	-	61,707
Change in Assets and Liabilities:			
Accounts Receivable	(3,638)	-	(3,638)
Inventories	(5,441)	(2,211)	(7,652)
Prepaid Expenses	14,750	2,364	17,114
Accounts and Other Payables	(10,105)	(2,340)	(12,445)
Accrued Wages Payable	(374)	-	(374)
Deferred Revenues	494	-	494
Net Cash Provided (Used) by Operating Activities	<u>\$ (785,987)</u>	<u>\$ 44,160</u>	<u>\$ (741,827)</u>
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	<u>\$ 66,979</u>	<u>\$ -</u>	<u>\$ 66,979</u>
Capital Assets Purchased by the Capital Outlay Fund	<u>\$ 13,199</u>	<u>\$ -</u>	<u>\$ 13,199</u>

The accompanying notes are an integral part of these financial statements.

HURON SCHOOL DISTRICT NO. 2-2
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	PRIVATE PURPOSE TRUST FUND	AGENCY FUNDS
ASSETS:		
Cash and Cash Equivalents	\$ 178,953	\$ 157,432
TOTAL ASSETS	<u>\$ 178,953</u>	<u>\$ 157,432</u>
LIABILITIES:		
Amounts Held for Others	<u>\$ -</u>	<u>\$ 157,432</u>
TOTAL	<u>-</u>	<u>157,432</u>
NET POSITION		
Held in Trust for School Scholarship	<u>178,953</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 178,953</u>	<u>\$ 157,432</u>

The accompanying notes are an integral part of these financial statements.

HURON SCHOOL DISTRICT NO.2-2
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>PRIVATE-PURPOSE TRUST FUNDS</u>
ADDITIONS:	
Contributions and Donations	\$ 10,168
Other Additions	<u>1,481</u>
 Total Additions	 <u>11,649</u>
DEDUCTIONS:	
Trust Deductions for Scholarships	<u>13,467</u>
 Total Deductions	 <u>13,467</u>
 Change in Net Position	 (1,818)
 NET POSITION - BEGINNING	 <u>180,771</u>
 NET POSITION - ENDING	 <u><u>\$ 178,953</u></u>

The accompanying notes are an integral part of these financial statements.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Financial Reporting Entity:

The reporting entity of Huron School District No. 2-2, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

The accounting policies of the School District conform to generally accepted accounting principles as applicable to government entities in the United States of America.

b. Basis of Presentation:

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

The fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories.

A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

The funds of the School District financial reporting entity are described below within their respective fund types:

Governmental Funds:

General Fund - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding the capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

Special Revenue Fund Types - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Outlay Fund - A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is a major fund.

Special Education Fund - A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

Pension Fund - A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is not a major fund.

Auditorium Building Fund - A fund established by SDCL 6-4-1 for the purpose of erecting or remodeling an auditorium, coliseum, public gymnasium, or public community house and for the acquisition of sites and equipment therefore. This is not a major fund.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

Debt Service Fund Types - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Bond Redemption Fund - A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This fund is the only debt service fund maintained by the School District. This is not a major fund.

Capital Projects Fund Types - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds.)

There is only one Capital Projects Fund maintained by the School District and it is used to account for construction on some of the School Districts existing grade schools. This is a major fund.

Proprietary Funds:

Enterprise Funds - Enterprise funds may be used to report any activity for which a fee is charged to external users for goods and services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government of component unit-even if that government is not expected to make any payments-is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

Proprietary Funds: (cont'd)

Food Service Fund - A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

The Enterprise Fund is an enterprise fund maintained by the School District for concessions and driver's education. It is not a major fund.

Fiduciary Funds:

Fiduciary Funds consist of the following sub-categories and are never considered to be major funds.

Private-Purpose Trust Fund Types - private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other organizations. The School District maintains the following private-purpose trust funds:

Harrigle, Kittinger, Peppers and Huron Community Scholarship Trusts and their purpose is scholarships.

Agency Funds - agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus

Measurement Focus:

Government-Wide Financial Statements: In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

c. Measurement Focus and Basis of Accounting: (cont'd)

Measurement Focus: (cont'd)

Fund Financial Statements: In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting:

Government-Wide Financial Statements: In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements: All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Huron School District No. 2-2, the length of that cycle is sixty days.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements: In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

Fund Financial Statements: Noncurrent portions of long-term interfund receivables are reported as Nonspendable Fund balance to the extent that the proceeds from the collection of those receivables are not Restricted, Committed, or Assigned, and are reported in the appropriate fund balance category. Current portions of interfund receivables are considered "available spendable resources" and are reported in the appropriate fund balance category.

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements: All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at the estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construct period interest is capitalized in accordance with USGAAP.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

e. Capital Assets: (cont'd)

The total June 30, 2013 balance of capital assets for governmental activities includes approximately fifty percent for which the costs were determined by estimates of the original costs. The total June 30, 2013 balance of capital assets for business-type activities are all valued at original cost. These estimated original costs were established by appraisals or deflated current replacement cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 1,000	--	--
Land Improvements	\$ 1,000	Straight-line	20 yrs.
Buildings	\$ 50,000	Straight-line	50 yrs.
Machinery and Equipment	\$ 1,000	straight-line	4-20 yrs.

Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements: In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of compensated absences, early retirement benefits payable, capital outlay certificates payable and general obligation bonds payable.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

f. Long-Term Liabilities: (cont'd)

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of compensated absences, early retirement benefits payable, capital outlay certificates payable and general obligation bonds payable.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources) and payment of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as it is in the government-wide statements.

g. Program Revenues:

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. The enterprise funds have access to their cash resources on demand. Accordingly, all reported enterprise funds deposits and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

j. Equity Classifications:

Government-Wide Financial Statements: Equity is classified as Net Position and is displayed in three components:

1. Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements: Governmental fund equity is classified as fund balance, and may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

k. Application of Net Position:

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

l. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School District classifies governmental fund balances as follows:

- * Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- * Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- * Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- * Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by School Board.
- * Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of an advance due from the pension fund to the general fund.

The School District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

1. Fund Balance Classification Policies and Procedures: (cont'd)

The purpose of each major special revenue fund and revenue source is listed below:

Major Special Revenue Fund	Revenue Source
Capital Outlay Fund	Taxes
Special Education Fund	Taxes

2. DEFICIT FUND BALANCES/NET POSITION OF INDIVIDUAL NONMAJOR FUND:

As of June 30, 2013, the following non-major fund had a deficit fund balance in the amount shown:

Pension Fund	\$ (42,887)
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Management's plan is to contribute cash to the Pension Fund as needed to make the fund cash flow.

3. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

3. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (CONT'D)

Investments - In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Interest Rate Risk - The School District does not have a formal investment policy that limits investment maturities as a mean of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits eligible investments for the School District, as discusses above. The School District has no investment policy that would further limit its investment choices. As of June 30, 2013, the school did not have investments.

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. As of June 30, 2013, the School District did not have investments.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the General Fund, except for the private-purpose trust fund(s) which retains its investment income. USGAAP, on the other hand, requires income form deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

4. PROPERTY TAX:

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

5. RECEIVABLES AND PAYABLES:

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts due from other governments include reimbursements for various programs. These amounts include \$666,982 due from the state or federal government.

6. INVENTORY:

Inventory held for consumption is stated at cost. Donated commodities are valued at estimated market value based on the USDA price list on the date of receipt.

In the government-wide financial statements and in the enterprise fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a nonspendable fund balance. No material inventories were on hand at June 30, 2013, for the governmental funds.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

7. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the fiscal year ended June 30, 2013 is as follows:

Primary Government

	Balance 7/01/12	Increases	Decreases	Balance 6/30/13
Land	\$ 1,111,755	\$ --	\$ --	\$ 1,111,755
Construction in Progress	<u>--</u>	<u>852,569</u>	<u>--</u>	<u>852,569</u>
Total, not being depreciated	<u>\$ 1,111,755</u>	<u>852,569</u>	<u>--</u>	<u>1,964,324</u>
Capital assets, being depreciated:				
Buildings	16,417,090	--	--	16,417,090
Improvements other than Buildings	2,967,300	--	--	2,967,300
Machinery and Equipment	<u>5,778,376</u>	<u>618,663</u>	<u>532,002</u>	<u>5,865,037</u>
Totals	<u>25,162,766</u>	<u>618,663</u>	<u>532,002</u>	<u>25,249,427</u>
Less accumulated depreciation for:				
Buildings	7,135,048	291,249	--	7,426,297
Improvements other than buildings	2,965,746	1,554	--	2,967,300
Machinery and Equipment	<u>3,576,794</u>	<u>508,288</u>	<u>518,459</u>	<u>3,566,623</u>
Total accumulated depreciation	<u>13,677,588</u>	<u>801,091</u>	<u>13,543</u>	<u>13,960,220</u>
Total capital assets, being depreciated, net	<u>11,485,178</u>	<u>(182,428)</u>	<u>13,543</u>	<u>11,289,207</u>
Governmental activity capital assets, net	<u>\$12,596,933</u>	<u>\$ 670,141</u>	<u>\$ 13,543</u>	<u>\$13,253,531</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Instruction	\$ 560,764
Support Services	200,273
Co curricular activities	<u>40,054</u>
Total depreciation expense-governmental activities	<u>\$ 801,091</u>

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

7. CHANGES IN CAPITAL ASSETS: (CONT'D)

Business-type activities:

	<u>Balance</u> <u>7/01/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/13</u>
Capital assets, being depreciated:				
Buildings	\$ 13,900	\$ --	\$ --	\$ 13,900
Machinery and Equipment	<u>820,713</u>	<u>21,588</u>	<u>5,284</u>	<u>837,017</u>
Totals	<u>834,613</u>	<u>21,588</u>	<u>5,284</u>	<u>850,917</u>
Less accumulated depreciation for:				
Buildings	13,900	--	--	13,900
Machinery and Equipment	<u>555,784</u>	<u>41,464</u>	<u>5,165</u>	<u>592,083</u>
Total accumulated depreciation	<u>569,684</u>	<u>41,464</u>	<u>5,165</u>	<u>605,983</u>
Business-type activity capital assets, net	<u>\$ 264,929</u>	<u>\$ 39,306</u>	<u>\$ 119</u>	<u>\$ 244,934</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food Service	\$ 40,519
Other Enterprise Funds	<u>945</u>
Total depreciation expense business-type activities	<u>\$ 41,464</u>

Construction Work in Progress at June 30, 2013 is composed of the following:

<u>Project Name</u>	<u>Project</u> <u>Authorization</u>	<u>Expended</u> <u>Thru</u> <u>6/30/2013</u>	<u>Committed</u>	<u>Required</u> <u>Future</u> <u>Financing</u>
School building additions and remodel	\$ 22,140,000	\$ 852,569	\$ --	\$ 21,287,431

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

8. LONG-TERM LIABILITIES:

	<u>7/01/12</u>	<u>Balance Increases</u>	<u>Decreases</u>	<u>Balance 6/30/13</u>	<u>Amount Due Within One Year</u>
Governmental Activities					
General Obligation					
Bond-					
Series 2010	\$ 1,075,000	\$ --	\$ 875,000	\$ 200,000	\$ 200,000
General Obligation					
Bond	--	20,195,000	--	20,195,000	--
-Series 2013					
Capital Outlay					
Certificates	360,000	--	235,000	125,000	125,000
-Series 2005					
Capital Outlay					
Certificates					
-Series 2009A	135,000	--	135,000	--	--
Capital Outlay					
Certificates					
-Series 2009B	3,475,000	--	25,000	3,450,000	165,000
Capital Outlay					
Certificates					
-Series 2012	1,140,000	--	--	1,140,000	140,000
Compensated					
Absences	102,187	138,621	138,308	102,500	100,000
Early Retirement					
Payable	<u>35,600</u>	<u>67,269</u>	<u>35,600</u>	<u>67,269</u>	<u>67,269</u>
Governmental					
activities					
long-term					
liabilities	<u>\$ 6 322,787</u>	<u>\$ 20,400,890</u>	<u>\$ 1,443,908</u>	<u>\$25,279,769</u>	<u>\$ 797,269</u>

Business-Type Activities

Compensated					
Absences	<u>\$ 5,845</u>	<u>\$ 6,390</u>	<u>\$ 6,390</u>	<u>\$ 5,845</u>	<u>\$ 5,000</u>

Compensated absences for governmental activities typically have been liquidated from the General and Special Education Funds. Early Retirement Benefits payable for governmental activities have been liquidated from the Pension Fund.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

8. LONG-TERM LIABILITIES: (CONT'D)

Debt Payable at June 30, 2013 is comprised of the following:

General Obligation Bonds:

The School District issued \$2,785,000 of General Obligation Refunding Bonds, Series 2010. The bonds are payable on June 4, 2010 through December 15, 2013 with fixed interest rates from 1.0% to 2.0% that vary depending on the term of maturity. The Bond Redemption Fund makes payment on this debt.

\$ 200,000

General Obligation Bonds:

The School District issued \$20,195,000 of General Obligation Bonds, Series 2013. The bonds are payable on December 15, 2014 through June 15, 2039 with fixed interest rates from 2.0% to 5.0% that vary depending on the term of maturity. The Bond Redemption Fund makes payment on this debt. -

\$ 20,195,000

Capital Outlay Certificates:

The School District issued \$2,150,000 of Capital Outlay Refunding Certificates, Series 2005 on July 15, 2005. The certificates are payable from August 1, 2006 through February 1, 2018 with fixed interest rates from 3.75% to 4.0% that vary depending on the term of maturity. The Capital Outlay Fund makes payment on this debt.

\$ 125,000

Capital Outlay Certificates:

The School District issued \$3,475,000 of Capital Outlay Limited Tax General Obligation Outlay Certificates, Series 2009 B on June 25, 2009. The Certificates are payable from June 25, 2009 through June 1, 2029 with fixed interest rates from 3.5% to 6.5% that vary depending on the term of maturity. The certificates are designated as "Build America Bonds," 35% of the interest payment is refunded to the district from the United States Department of Treasury Under section 54AA(g) of the Code. The Capital Outlay fund makes payment on this debt.

\$ 3,450,000

Capital Outlay Certificates:

The School District issued \$1,140,000 of Capital Outlay Refunding Certificates, Series 2012 on April 26, 2012. The certificates are payable from August 1, 2012 through August 1, 2017 with fixed interest rates from .40% to 1.0% that vary depending on the term of maturity. The Capital Outlay Fund makes payment on this debt.

\$ 1,140,000

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

8. LONG-TERM LIABILITIES: (CONT'D)

Compensated Absences

Payments for vested accrued vacation leave from the fund which the employee is generally compensated. \$ 108,345

Early Retirement Payable

Payments to be made to employees who elected early retirement; Payments being made by the Pension Fund. \$ 67,269

Other Postemployment Benefits

Obligations to individuals who are retired or will retire from the school district and who will receive Postemployment benefits. Payments are to be made from the General Fund. \$ 168,380

The annual requirements to amortize the general obligation bonds, capital outlay certificates and early retirement benefits outstanding at June 30, 2013, are as follows:

	General Obligation		Capital Outlay - Series 2005	
	Bonds - Series 2010		Certificates	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	200,000	2,000	125,000	22,872
	<u>\$ 200,000</u>	<u>\$ 2,000</u>	<u>\$ 125,000</u>	<u>\$ 22,872</u>
	Capital Outlay - Series 2012		Capital Outlay - Series 2009B	
	Certificates		Certificates	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	140,000	8,377	165,000	128,497
2015	280,000	7,537	170,000	124,031
2016	285,000	5,892	175,000	119,086
2017	290,000	3,625	180,000	113,605
2018	145,000	725	185,000	107,814
2019-2023	--	--	1,035,000	434,265
2024-2028	--	--	1,255,000	210,330
2029-2033	--	- -	285,000	9,084
	<u>\$ 1,140,000</u>	<u>\$ 26,156</u>	<u>\$ 3,450,000</u>	<u>\$ 1,246,712</u>

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

8. LONG-TERM LIABILITIES: (CONT'D)

	General Obligation Bonds - Series 2010		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	--	--	791,746
2015	240,000	1,868,470	2,690,038
2016	490,000	929,588	2,004,566
2017	505,000	916,037	2,008,267
2018	520,000	900,737	1,859,276
2019-2023	2,905,000	4,190,988	8,565,253
2024-2028	3,625,000	3,480,500	8,570,830
2029-2033	4,620,000	2,481,000	7,395,084
2034-2038	5,920,000	1,186,625	7,106,625
2039	1,370,000	51,625	1,421,625
	<u>\$ 20,195,000</u>	<u>\$ 16,005,570</u>	<u>\$ 42,413,310</u>

9. INTERFUND BALANCES AND TRANSACTIONS:

Interfund receivable and payable balances at June 30, 2013 consist of the following for loans for operations:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 130,000	\$ --
Pension Fund	\$ --	\$ 130,000

10. RESTRICTED NET POSITION:

Restricted Net Position for the year ended June 30, 2013 was as follows:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ 271,704
Special Education	Law	1,186,846
Capital Projects	Law	21,961,515
Debt Services	Debt Covenants	56,817
Auditorium	Law	10,740
Total Restricted Net Position		<u>\$23,487,622</u>

11. INTERFUND TRANSFERS:

Transfers to/from other funds at June 30, 2013, consist of the following:

Transfers from the other governmental funds to the General Fund
\$ 11,424 for income earned on deposits.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

12. RETIREMENT PLAN:

All employees, except for board members and employees that work less than 20 hours per week, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor's benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary.

State statute also requires the employer to contribute an amount equal to the employee's contribution and to also make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$676,606, \$647,200, and \$631,347 (employer's share) respectively, equal to the required contributions each year.

13. RISK MANAGEMENT:

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2013, the School District managed its risks as follows:

Health Insurance

The School District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended June 30, 2013, claims of \$1,294 for unemployment benefits were paid.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

13. RISK MANAGEMENT: (CONT'D)

Liability Insurance

The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workmen's Compensation

The School District purchases liability insurance for workmen's compensation from a commercial carrier.

14. OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN

OPEB Plan is a single-employer defined benefit healthcare plan administered by the Huron School District. The OPEB Plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16. Benefit provisions were established and may be amended during the negotiated agreement process between district certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

Funding policy

The District funds the other post retirement benefits on a pay-as-you-go basis. Because the District does not use a trust fund to administer the financing of other postemployment benefits, no separate financial statements are required. The retired employee's monthly contributions are based on 100% of the full active employee premium rate plus a \$5.00 monthly fee.

Annual OPEB cost and net OPEB obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the financial components of the plan.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

14. OTHER POSTEMPLOYMENT BENEFITS: (CONT'D)

	Governmental Activities
Annual required contribution	\$ 140,090
Interest on net OPEB obligation	5,116
Adjustment to Annual Required Contribution	7,922
Annual OPEB cost (expense)	137,784
Contributions made	(103,113)
Increase in net OPEB obligation	34,671
OPEB obligation - beginning	133,709
OPEB obligation - ending	<u>\$ 168,380</u>

The entity's annual OPEB cost data and net OPEB obligation was as follows:

Fiscal Year End	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
06/30/11	\$121,773	71.6%	\$ 98,467
06/30/12	\$138,400	74.2%	\$ 133,709
06/30/13	\$137,784	74.8%	\$ 168,380

Funded Status

As of July 1, 2011 the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the District's unfunded actuarial accrued liability (UAAL) was \$1,559,173. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2011-2012 fiscal year was \$4,844,183 for a ratio of the UAAL to covered payroll of 32.2%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, morality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past experience and new estimates are made about the future.

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

14. OTHER POSTEMPLOYMENT BENEFITS: (CONT'D)

In the July 1, 2011 actuarial valuation, the projected credit method was used. The actuarial assumptions included a rate of 4.2% investment return and annual healthcare cost trend rate of 7% initially, reduced by decrements to an ultimate ratio of 5% after 6 years. Both rates include a 3% salary increase per year. The assumed claim costs were determined from the fully insured premiums and underlying claim experience of OPEB plans and actuarial age adjustment factors. The dental claims were assumed to be equal to the dental premiums.

15. EARLY RETIREMENT PLAN:

The district maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive 65% to 80% of their salary received during their last full year of employment in one lump sum. Payment will be made to the South Dakota Retirement Special Pay Plan on behalf of the employee. All employees reaching the retirement age factor prior to September 1 of the next year are eligible to submit, in writing, a binding intent to elect early retirement, effective on the date the retiring employee reaches the retirement age factor. All retiring employees will receive the balance of their contractual salary on their last day of employment the Huron School District. If the employee elects retirement during the summer months, payment will be made within 45 days from the time the employee notifies the superintendent, in writing. In the fiscal year 2012 three retiring employees received benefits. The amount paid for such benefits during the year was \$249,349.

16. ADJUSTMENTS TO BEGINNING NET POSITION:

Beginning net position balance was adjusted to correctly report the taxes receivable that were not available to pay for current period expenditures, and should have been deferred in the funds June 30, 2012. This correction affected the beginning balance of net position on the statements of activities in the amount of \$4,191,023.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS BUDGETARY</u>	<u>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>BASIS</u>	
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 4,547,000	\$ 4,547,000	\$ 4,524,129	\$ (22,871)
Prior Years' Ad Valorem Taxes	25,000	25,000	28,727	3,727
Tax Deed Revenue	8,000	8,000	10,222	2,222
Gross Receipts Taxes	365,000	365,000	635,382	270,382
Penalties and Interest on Taxes	12,000	12,000	8,888	(3,112)
Revenue from Local Governmental Units Other Than LEAs:				
Revenue in Lieu of Taxes	5,000	5,000	5,079	79
Tuition and Fees:				
Regular Day School Tuition	50,000	50,000	35,726	(14,274)
Earnings on Investments and Deposits	50,000	50,000	19,129	(30,871)
Cocurricular Activities:				
Admissions	77,000	77,000	70,441	(6,559)
Other Pupil Activity Income	17,000	17,000	21,144	4,144
Other Revenue from Local Sources:				
Rentals	40,000	40,000	56,465	16,465
Contributions and Donations	7,000	7,000	12,422	5,422
Charges for Services	120,000	120,000	147,949	27,949
Other	233,000	233,000	171,918	(61,082)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	200,000	200,000	285,226	85,226
Revenue in Lieu of Taxes	3,000	3,000	1,577	(1,423)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	6,332,000	6,332,000	6,681,439	349,439
Restricted Grants-in-Aid	-	-	248,523	248,523
Tuition:				
Regular	125,000	125,000	101,149	(23,851)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	1,619,000	1,619,000	1,594,073	(24,927)
Other Federal Revenue	15,000	15,000	30,715	15,715
Total Revenue	13,850,000	13,850,000	14,690,323	840,323

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL AMOUNTS BUDGETARY	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	BASIS	
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	3,014,065	3,060,065	3,056,222	3,843
Middle/Junior High	2,129,130	2,188,130	2,182,019	6,111
High School	2,519,460	2,519,460	2,517,935	1,525
Preschool Services	-	6,000	5,520	480
Special Programs:				
Educationally Deprived	1,290,000	1,290,000	1,006,019	283,981
Support Services:				
Pupils:				
Attendance and Social Work	-	175,000	106,682	68,318
Guidance	378,400	389,400	369,551	19,849
Health	53,440	76,440	75,841	599
Psychological	5,000	5,000	3,429	1,571
Support Services - Instructional Staff:				
Improvement of Instruction	388,505	450,705	469,484	(18,779)
Educational Media	550,175	550,175	533,158	17,017
Support Services - General Administration:				
Board of Education	159,520	160,620	146,486	14,134
Executive Administration	209,200	209,200	200,056	9,144
Support Services - School Administration:				
Office of the Principal	627,400	627,400	624,437	2,963
Other	219,800	219,800	214,630	5,170
Support Services - Business:				
Fiscal Services	292,600	297,600	296,141	1,459
Operation and Maintenance of Plant	1,792,270	1,795,270	1,481,205	314,065
Pupil Transportation	473,500	533,500	502,497	31,003
Food Services	-	65,000	60,846	4,154
Internal Services	35,900	35,900	26,009	9,891
Support Services - Central:				
Staff	5,000	5,000	1,315	3,685
Community Services:				
Recreation	13,500	24,500	20,423	4,077
Nonpublic School	-	14,000	12,410	1,590
Other	-	1,000	581	419
Nonprogrammed Charges:				
Payments to State - Unemployment	5,000	5,000	1,294	3,706

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL AMOUNTS BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Expenditures:				
Cocurricular Activities:				
Male Activities	247,175	263,275	258,565	4,710
Female Activities	229,340	233,340	227,815	5,525
Combined Activities	211,620	212,820	203,629	9,191
Contingencies	100,000	100,000	-	100,000
Amount Transferred (Enter as Negative)		(100,000)	-	(100,000)
Total Expenditures	14,950,000	15,413,600	14,604,199	809,401
Excess of Revenue Over (Under) Expenditures	(1,100,000)	(1,563,600)	86,124	1,649,724
Other Financing Sources:				
Transfers In	35,000	35,000	11,424	(23,576)
Sale of Surplus Property	15,000	15,000	20,530	5,530
Total Other Financing Sources	50,000	50,000	31,954	(18,046)
Net Change in Fund Balances	(1,050,000)	(1,513,600)	118,078	1,631,678
Fund Balance - Beginning	3,007,972	3,007,972	3,007,972	-
Fund Balance - Ending	\$ 1,957,972	\$ 1,494,372	\$ 3,126,050	\$ 1,631,678

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE
CAPITAL OUTLAY FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL AMOUNTS BUDGETARY	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	BASIS	
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 2,420,000	\$ 2,420,000	\$ 2,525,830	\$ 105,830
Prior Years' Ad Valorem Taxes	20,000	20,000	14,032	(5,968)
Penalties and Interest on Taxes	5,000	5,000	5,009	9
Earnings on Investments and Deposits	-	-	2,840	2,840
Other Revenue From Local Sources				
Contributions and Donations	-	-	7,500	7,500
Other	-	-	2,030	2,030
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	20,000	20,000	20,768	768
Total Revenue	2,465,000	2,465,000	2,578,009	113,009
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	171,000	191,000	187,809	3,191
Middle/Junior High	117,000	117,000	105,269	11,731
High School	335,000	362,500	354,671	7,829
Special Programs:				
Programs for Special Education	4,000	4,000	1,557	2,443
Support Services - Instructional Staff:				
Improvement of Institution	2,000	2,000	727	1,273
Educational Media	143,000	143,100	142,932	168
Support Services - General Administration:				
Board of Education	5,000	5,000	3,950	1,050
Executive Administration	2,000	2,000	949	1,051
Support Services - School Administration:				
Other	7,000	7,000	5,315	1,685
Support Services - Business:				
Fiscal Services	5,000	5,000	3,400	1,600
Facilities Acquisition and Construction	-	925,000	920,006	4,994
Operation and Maintenance of Plant	640,000	640,000	629,278	10,722
Pupil Transportation	222,000	222,000	217,720	4,280
Food Services	25,000	25,400	25,342	58
Internal Services	15,000	15,000	14,990	10

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE
CAPITAL OUTLAY FUND - BUDGETARY BASIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL AMOUNTS BUDGETARY	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	BASIS	
Other Financing Sources:				
Debt Services	582,000	585,000	584,590	410
Cocurricular Activities:				
Combined Activities	40,000	48,000	45,687	2,313
Total Expenditures	2,315,000	3,299,000	3,244,192	54,808
Excess of Revenue Over (Under)				
Expenditures	150,000	(834,000)	(666,183)	58,201
Transfers Out	-	-	(2,840)	(2,840)
Compensation for Loss of General Capital Assets	-	-	5,941	5,941
Total Other Financing Sources	-	-	3,101	3,101
Net Change in Fund Balances	150,000	(834,000)	(663,082)	61,302
Fund Balance - Beginning	892,022	892,022	892,022	-
Fund Balance - Ending	\$ 1,042,022	\$ 58,022	\$ 228,940	\$ 61,302

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS BUDGETARY</u>	<u>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>BASIS</u>	
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,090,000	\$ 1,090,000	\$ 1,088,084	\$ (1,916)
Prior Years' Ad Valorem Taxes	7,000	7,000	6,526	(474)
Penalties and Interest on Taxes	2,000	2,000	2,305	305
Tuition and Fees:				
Regular Day School Tuition	30,000	30,000	13,758	(16,242)
Earnings on Investments and Deposits	-	-	6,653	6,653
Other Revenue from Local Sources:				
Charges for Services	40,000	40,000	64,168	24,168
Other	2,000	2,000	3,539	1,539
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	1,142,000	1,142,000	671,317	(470,683)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	585,000	585,000	563,113	(21,887)
Total Revenue	2,898,000	2,898,000	2,419,463	(478,537)

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT NO. 2-2
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND - BUDGETARY BASIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL AMOUNTS BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	1,911,500	1,911,500	1,633,954	277,546
Support Services:				
Pupils:				
Attendance and Social Work	28,900	28,900	21,455	7,445
Guidance	25,700	25,700	13,715	11,985
Health	83,200	83,200	75,506	7,694
Psychological	56,000	56,000	50,386	5,614
Speech Pathology	379,000	379,000	344,224	34,776
Student Therapy Services	140,850	140,850	132,741	8,109
Support Services - Instructional Staff:				
Improvement of Instruction	27,800	27,800	7,564	20,236
Support Services - School Administration:				
Office of Principal	101,450	101,450	-	101,450
Support Services - Business:				
Pupil Transportation	32,600	32,600	-	32,600
Support Services - Special Education:				
Administrative Costs	-	-	94,086	(94,086)
Other Special Education Costs	-	-	21,014	(21,014)
Total Expenditures	2,787,000	2,787,000	2,394,645	392,355
Excess of Revenue Over (Under)				
Expenditures	111,000	111,000	24,818	(86,182)
Other Financing Uses:				
Transfers Out	-	-	(6,653)	(6,653)
Total Other Financing Uses	-	-	(6,653)	(6,653)
Net Change in Fund Balances	111,000	111,000	18,165	(92,835)
Fund Balance - Beginning	1,158,314	1,158,314	1,158,314	-
Fund Balance - Ending	\$ 1,269,314	\$ 1,269,314	\$ 1,176,479	\$ (92,835)

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013

1. BASIS OF PRESENTATION:

The financial statements prepared in conformity with accounting principles generally accepted in the United States of America present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the budgetary Required Supplementary Information Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

2. BUDGETS AND BUDGETARY ACCOUNTING:

The School District followed these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year. The proposed budget is published for public review no later than July 15 each year. Public hearings are held to solicit taxpayer input prior to the approval of the budget. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
- b. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in letter d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.

HURON SCHOOL DISTRICT NO. 2-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013

2. BUDGETS AND BUDGETARY ACCOUNTING: (CONT'D)

- e. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds.

No encumbrances were outstanding at June 30, 2013.

- f. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- g. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

REQUIRED SUPPLEMENTARY INFORMATION
HURON SCHOOL DISTRICT 2-2
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2008	-	Unit Credit	1,255,139	0.00%	5,489,234	22.90%
7/1/2011	-	Unit Credit	1,599,173	0.00%	4,844,183	32.20%

Only one year of the three year trend will be completed in the first year of presenting this schedule.

HURON SCHOOL DISTRICT NO. 2-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	AMOUNT FY 2013
US Department of Agriculture:		
Pass-Through the S.D. Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 58,081
Cash Assistance:		
School Breakfast Program (Note 2)	10.553	142,874
National School Lunch Program (Note 2)	10.555	578,974
Summer Food Service Program for Children	10.559	<u>42,477</u>
Total for Child Nutrition Cluster		<u>822,406</u>
Fresh Fruit and Vegetable Program	10.582	<u>57,098</u>
Total US Department of Agriculture		<u>879,504</u>
US Department of the Interior:		
Pass-Through Beadle and Jerauld Counties:		
Payments in Lieu of Taxes (Note 2)	15.226	<u>1,577</u>
Total US Department of the Interior		<u>1,577</u>
General Services Administration:		
Pass-Through the SD Federal Property Agency:		
Donation of Federal Surplus Personal Property (Note 3)	39.003	<u>4,576</u>
Total General Services Administration		<u>4,576</u>
US Department of Education:		
Pass-Through the SD Department of Education:		
Title I, Part A Cluster:		
Title I Grants to Local Educational Agencies	84.010	<u>694,182</u>
Total for Title I, Part A Cluster		<u>694,182</u>
Pass-Through the S.D. Department of Education:		
Special Education - Grants to States (Note 2)	84.027	561,747
Special Education - Preschool Grants	84.173	<u>9,500</u>
Total for Special Education Cluster		<u>571,246</u>

HURON SCHOOL DISTRICT NO. 2-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	AMOUNT FY 2013
Pass-Through the S.D. Department of Education:		
Early Intervention Services (IDEA) Cluster:		
Special Education - Grants to States (Note 2)	84.181	4,675
Total for Early Intervention Services (IDEA) Cluster		<u>4,675</u>
School Improvement Grants Cluster:		
School Improvements Grants	84.377	154,067
Total for School Improvement Grant Cluster		<u>154,067</u>
Migrant Education - State Grant Program	84.011	361,929
Career and Technical Education	84.048	34,024
English Language Acquisition Grants (Title III)	84.365	111,916
Improving Teacher Quality State Grants	84.367	168,049
Total U.S. Department of Education		<u>2,100,088</u>
Pass-Through the SD Department of Social Services:		
Refugee and Entrant Assistance-Discretionary Grants	93.576	60,514
GRAND TOTAL		<u>\$ 3,046,259</u>

Note 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of Huron School District No. 2-2 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2: The amounts reflect cash received, Federal reimbursements are based on approved rates for services provided rather than reimbursements for specific expenditures.

Note 3: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the school (Original acquisition cost is provided by Federal Surplus Property. It is not what the school actually paid for the item.).